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**FEDERAL  
DIVERSIPLEX  
LIMITED**

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**Annual Report**

**For the Year Ended  
March 31, 1973**

# FEDERAL DIVERSIPLEX LIMITED

## FINANCIAL HIGHLIGHTS

	1973	1972	1971
Total Sales	9,535,193	6,608,100	5,171,134
Earnings (loss) before the undernoted	139,729	(94,012)	(202,117)
Depreciation	160,865	132,981	119,924
Interest on long-term debt	42,560	25,559	10,313
Net loss from operations	63,696	252,552	332,354
Gain on disposal of fixed assets	38,220	110,605	—
Net loss for the year	25,476	141,947	332,354
Per share calculations:			
Net loss from operations	7¢	28¢	37¢
Net loss for the year	3¢	16¢	37¢

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held in Salon 'C', of the Sutton Place Hotel, 955 Bay Street, Toronto, Ontario at 10:00 o'clock in the forenoon on Thursday, September 27, 1973.



- Toronto
- Toronto
- Toronto
- Toronto
- Toronto

f the Board  
President  
d Secretary  
Treasurer

- Toronto

- Toronto

nd Bradford

## and Montreal

- Bradford
- Bradford
- Toronto

- Toronto

# FEDERAL DIVERSIPLEX LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Substantial improvement was made in your Company's operations during the past year.

Sales of \$9,535,193 for the year ended March 31, 1973, compare with sales of \$6,608,100 for the previous year, the increase being attributable chiefly to consolidation of a full year's dairy sales in the current period whereas the preceding year reflects dairy sales only from November 1, 1971, the date of acquisition.

Operations resulted in a net loss of \$25,476 for the 1973 fiscal year against a net loss of \$141,947 for fiscal 1972. Current results include income of \$38,220 from gains on sales of fixed assets by comparison with \$110,605 of similar income in the previous statement. It will be noted that exclusive of such income results from Federal's ordinary operations improved by \$188,856 over the previous year.

A favourable factor in reviewing activities of the past year was an encouraging improvement in results from agricultural and fresh produce operations. The farming of Federal's large organic soil acreage and utilization of the extensive produce storage buildings at Bradford should continue to provide a sound base for your Company, particularly during this period when heavy demand for basic food items has produced overdue improvement in the relationship between farm income and other elements within the North American economy.

Although overall results have improved, performance of the snack food division at Bradford has continued to be disappointing despite major changes in production and distribution methods. Priority attention is being given to this problem which has adversely influenced your Company's progress for many years.

The operation of Valley View Dairies has contributed significantly to the improvement in Federal's results over the 18-month period since the dairy was acquired. Negotiations are currently being conducted with the City of Toronto concerning possible relocation of the dairy processing plant. Valley View has continuously operated its dairy on Pape Avenue for over 50 years and by virtue of this long-established use the operation was recognized as a legal non-conforming use when residential zoning by-laws were adopted 15 years ago to cover homes that had been subsequently established in the area. The City of Toronto has responded to surrounding residents' recent demands for dairy relocation by indicating its willingness to consider underwriting the

substantial amount required to re-establish the dairy in a more appropriate location within the City. Your Company has communicated that it will co-operate in relocation provided that Valley View's operations and financial position are not adversely affected by such a move. Shareholders will be informed of the result of these negotiations as they become finalized.

Of much interest in the outlook for your Company is the fact that its affiliate, Hardee Farms International Ltd., is extending to Federal its production rights under an agreement providing for exclusive use of Canadian patents covering a new thermal process directed to the expanding market for convenience foods. An initial production line will be established at Bradford this fall.

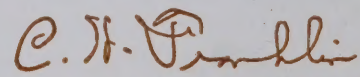
Under the new process, potatoes and other vegetables are graded, peeled, washed, and surface dried on special equipment, then automatically vacuum packaged in sealed plio-film oxygen-proof bags without additives or fluids, thus guaranteeing complete package retention of all natural flavours and nutrients. The product is then further processed in its sealed package under special temperatures and pressures to insure that it is completely cooked and sterilized. Vegetables may be presented in whole, sliced, or diced form, and the result is a long shelf-life product, requiring no refrigeration, simple to prepare, and with unlimited usage. A few minutes of heat and seasoning to taste are all that must be added to produce a delicious complement to any meal. The convenience appeal of such products to the housewife, and to the away-from-home food service industry, is evident.

Your Company has passed through a number of difficult adjustments over the past two years as steps directed toward re-establishment of the business have been taken. The improvement achieved to date is gratifying and further changes which may be necessary to restore satisfactory operating performance will be instituted.

The significance of the co-operation given by our employees in the progress of Federal's business is acknowledged. Your Directors are most appreciative of their efforts.

Respectfully submitted on behalf of the Board,

Toronto, Ontario  
August 9, 1973

  
Chairman



# FEDERAL DIVERSIPLEX LIMITED

and its subsidiary companies

## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended March 31, 1973

	1973	1972
Total Sales - - - - -	\$9,535,193	\$6,608,100
Less trade discounts and volume rebates - - - - -	1,199,954	477,201
	<u>8,335,239</u>	<u>6,130,899</u>
Cost of sales and other expenses - - - - -	8,229,869	6,244,928
	<u>105,370</u>	<u>(114,029)</u>
Investment income - - - - -	35,359	21,017
	<u>140,729</u>	<u>(93,012)</u>
Depreciation - - - - -	160,865	132,981
Amortization of debenture discount - - - - -	1,000	1,000
Interest on long-term debt - - - - -	42,560	25,559
	<u>204,425</u>	<u>159,540</u>
Loss before the undernoted - - - - -	63,696	252,552
Gain on disposal of fixed assets - - - - -	38,220	110,605
Net loss for the year - - - - -	<u>\$ 25,476</u>	<u>\$ 141,947</u>
Net loss per share - - - - -	<u>3¢</u>	<u>16¢</u>

## CONSOLIDATED STATEMENT OF DEFICIT

for the year ended March 31, 1973

	1973	1972
Deficit, beginning of year - - - - -	\$ 374,537	\$ 237,577
Net loss for the year - - - - -	25,476	141,947
	<u>400,013</u>	<u>379,524</u>
Transfer from appraisal excess - - - - -	(4,213)	(4,987)
Deficit, end of year - - - - -	<u>\$ 395,800</u>	<u>\$ 374,537</u>

(See accompanying notes to consolidated financial statements)

# FEDERAL DIVERSIPLEX LIMITED

(Incorporated under the laws of Canada)

and its subsidiary companies

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1973

### ASSETS

	1973	1972
CURRENT:		
Cash - - - - -	\$ 54,327	\$ 88,013
Accounts receivable - - - - -	1,041,445	922,715
Inventories (note 2) - - - - -	355,059	422,789
Current portion of debentures and mortgages receivable (note 3) - -	62,381	47,849
Prepaid expenses - - - - -	73,397	69,786
	<u>1,586,609</u>	<u>1,551,152</u>
DEBENTURES AND MORTGAGES RECEIVABLE LESS CURRENT PORTION (note 3) - - - - -	<u>376,378</u>	<u>409,259</u>
FIXED ASSETS (note 4) - - - - -	<u>2,331,883</u>	<u>2,325,382</u>
DEBENTURE DISCOUNT, LESS AMORTIZATION - - - - -	<u>3,208</u>	<u>4,208</u>
On behalf of the Board:		
C. H. FRANKLIN, <i>Director</i>		
GHENT L. DAVIS, <i>Director</i>		
	<u>\$4,298,078</u>	<u>\$4,290,001</u>

(See accompanying notes to consolidated financial statements)

### AUDITORS' REPORT

To the Shareholders of Federal Diversiplex Limited:

We have examined the consolidated balance sheet of Federal Diversiplex Limited and its subsidiary companies as at March 31, 1973 and the consolidated statements of earnings, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.



## LIABILITIES

	1973	1972
CURRENT:		
Bank advances (note 5) - - - - -	\$ 885,000	\$ 685,000
Accounts payable and accrued liabilities - - - - -	655,032	801,479
Current portion of long-term debt (note 5) - - - - -	92,800	
	<u>1,632,832</u>	<u>1,486,479</u>
LONG-TERM DEBT (note 5) - - - - -	<u>446,000</u>	<u>558,800</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

Authorized—1,500,000 common shares without par value		
Issued —891,380 common shares - - - - -	1,830,113	1,830,113
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST - - - - -	784,933	789,146
DEFICIT - - - - -	(395,800)	(374,537)
	<u>2,219,246</u>	<u>2,244,722</u>
	<u>\$4,298,078</u>	<u>\$4,290,001</u>

(See accompanying notes to consolidated financial statements)

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
May 4, 1973.

CLARKSON, GORDON & CO.  
Chartered Accountants

# FEDERAL DIVERSIPLEX LIMITED

and its subsidiary companies

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended March 31, 1973

	1973	1972
SOURCE OF FUNDS:		
Net loss for the year - - - - -	\$ (25,476)	\$ (141,947)
Add depreciation and other items not requiring an outlay of funds -	161,865	134,205
	136,389	(7,742)
Deduct gain on disposal of fixed assets - - - - -	38,220	110,605
Total from (to) operations - - - - -	98,169	(118,347)
Calvert-Dale Estates Limited debentures - - - - -	20,000	46,113
Mortgages receivable - - - - -	45,381	42,248
Sale of fixed assets (less first mortgage of \$32,500 received on sale) -	18,303	63,917
Bank loan - - - - -		470,000
Other - - - - -		5,803
	181,853	509,734
USE OF FUNDS:		
Purchase of fixed assets - - - - -	179,949	75,705
Reduction of long-term debt - - - - -	112,800	
Acquisition of wholly-owned subsidiary - - - - -		406,313
Acquisition of minority interest in subsidiary - - - - -		26,000
	292,749	508,018
INCREASE (DECREASE) IN WORKING CAPITAL - - - - -	(110,896)	1,716
WORKING CAPITAL, BEGINNING OF YEAR - - - - -	64,673	62,957
WORKING CAPITAL (DEFICIENCY), END OF YEAR - - - - -	\$ (46,223)	\$ 64,673

(See accompanying notes to consolidated financial statements)



# FEDERAL DIVERSIPLEX LIMITED

and its subsidiary companies

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 1973

### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiaries of the company. The consolidated statement of earnings for 1972 includes the results of operations of Valley View Dairies Limited from November 1, 1971, the date of acquisition.

### 2. INVENTORIES—AT THE LOWER OF COST AND REPLACEMENT COST

	1973	1972
Foodstuffs - - - - -	\$168,883	\$176,917
Packaging materials - - - - -	135,936	173,915
Finished goods - - - - -	16,335	51,270
Seed and fertilizer - - - - -	33,905	20,687
	<u>\$355,059</u>	<u>\$422,789</u>

### 3. DEBENTURES AND MORTGAGES RECEIVABLE—AT COST

	1973			1972
	Current	Long-term	Total	Total
Calvert-Dale Estates Limited, 7¼% convertible sinking fund debenture, due December 15, 1976 - - -	\$20,000	\$ 94,087	\$114,087	\$134,087
8½% mortgage, due January 1, 1980, principal and interest of \$3,000 payable monthly - - - - -	15,981	235,791	251,772	266,501
8% chattel mortgage, due January 15, 1976, principal of \$1,000, plus interest, payable monthly - - -	12,000	21,500	33,500	47,720
7% mortgage, due November 9, 1977, principal of \$1,500, plus interest, payable quarterly - - -	6,000	25,000	31,000	
Other - - - - -	8,400		8,400	8,800
	<u>\$62,381</u>	<u>\$376,378</u>	<u>\$438,759</u>	<u>\$457,108</u>

### 4. FIXED ASSETS

	At cost	At appraised value	Accumulated depreciation	Net book value	
				1973	1972
Buildings - - - - -	\$ 425,024	\$ 557,962	\$ 334,110	\$ 648,876	\$ 660,355
Machinery and equipment - - - - -	2,370,791		1,832,598	538,193	561,145
Vehicles - - - - -	804,078		671,874	132,204	189,072
Land and improvements - - - - -	208,240	804,370		1,012,610	914,810
	<u>\$3,808,133</u>	<u>\$1,362,332</u>	<u>\$2,838,582</u>	<u>\$2,331,883</u>	<u>\$2,325,382</u>

Farm land and improvements were appraised at market on May 9, 1961, by Mr. Norman Porter, a licenced appraiser. Buildings, staff dwellings and the land on which they are located were appraised at replacement cost on May 18, 1961 by Geo. A. Lister & Co., a licenced appraiser.

## 5. LONG-TERM DEBT

		1973		1972
	Current	Long-term	Total	Total
8% demand bank loan, \$94,000 payable annually - -	\$74,000	\$376,000	\$450,000	\$470,000
7% convertible sinking fund debentures, Series A, due June 15, 1976 - - - - -	18,800	70,000	88,800	88,800
	<u>\$92,800</u>	<u>\$446,000</u>	<u>\$538,800</u>	<u>\$558,800</u>

The 8% bank loan of \$450,000 and the bank advances of \$885,000 are secured by the inventories, accounts receivable and debentures and mortgages receivable. The 7% convertible sinking fund debentures are convertible into common shares of the company at \$7.56 per share and are secured by a floating charge on the assets of the company. Long-term payments of the 7% debentures are as follows:

June 15, 1974 - - - - -	\$ 23,000
June 15, 1975 - - - - -	23,000
June 15, 1976 - - - - -	24,000
	<u>\$ 70,000</u>

## 6. FUTURE INCOME TAXES

Losses available for tax purposes expiring—

1974 - - - - -	\$ 4,700	
1975 - - - - -	185,600	
1976 - - - - -	253,000	
1977 - - - - -	174,400	\$617,700

Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes - - - - -

341,300  
959,000

The tax effects of the above have not been reflected in the accounts.

In addition future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance in the amount of approximately

347,200  
\$1,306,200

## 7. REMUNERATION OF DIRECTORS AND OFFICERS

In accordance with the requirements of Section 122.2 of the Canada Corporations Act, the following information is reported:

	Number	Remuneration
Directors (3 are also officers) - - - - -	5	\$ 600
Officers - - - - -	7	\$ 60,600





